

# Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

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IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT or issued under a single indenture:

Issuer's Name (please include name of state where Issuer is located):

**THE CITY OF SAN DIEGO, CALIFORNIA (OBLIGOR, PURSUANT TO CERTIFICATES OF PARTICIPATION);**

**Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program) Series 1996A**

**Refunding Certificates of Participation (Balboa Park and Mission Bay Park Capital Improvements Program, Series 1991) Series 1996B**

**2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding) Evidencing Undivided Proportionate Interest in Lease Payments to be Made by the City of San Diego Pursuant to a Lease with the San Diego Facilities and Equipment Leasing Corporation**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO (STATE: CALIFORNIA);**

**Taxable Lease Revenue Bonds, Series 1996A (San Diego Jack Murphy Stadium)**

**Lease Revenue Bonds, Series 2002B (Fire and Life Safety Facilities Project)**

**CONVENTION CENTER EXPANSION FINANCING AUTHORITY (STATE: CALIFORNIA)**

**Lease Revenue Bonds, Series 1998A (City of San Diego, California, as Lessee)**

**CITY OF SAN DIEGO/METROPOLITAN TRANSPORTATION DEVELOPMENT BOARD ("MTDB")  
AUTHORITY (STATE: CALIFORNIA);**

**2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding)**

Other Obligated Person's Name (if any): \_\_\_\_\_  
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP\* number(s), if available, of Issuer:

**CITY OF SAN DIEGO, CALIFORNIA related CUSIP: 797260**

**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO related CUSIP: 797299**

**CONVENTION CENTER EXPANSION FINANCING AUTHORITY related CUSIP: 79727L**

**CITY OF SAN DIEGO/MTDB AUTHORITY related CUSIP: 797448**

\*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

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TYPE OF FILING:

☒ Electronic 36 pages plus attachments

Paper (no. of pages attached) \_\_\_\_\_

If information is also available on the Internet, give URL: **NOT AVAILABLE** \_\_\_\_\_

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WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

**A. ☒ Annual Financial Information and Operating Data pursuant to Rule 15c2-12**

(Financial information and operating data should not be filed with the MSRB.)

**Combined Annual Report for the Fiscal Years Ended June 30, 2003 and June 30, 2004.**

**B. Financial Statements or CAFR pursuant to Rule 15c2-12**

**See the Annual Report.**

**C. Notice of a Material Event pursuant to Rule 15c2-12** (Check as appropriate)

- |   |   |
|---|---|
| 1. Principal and interest payment delinquencies                                 | 6. Adverse tax opinions or events affecting the tax-exempt status of the security   |
| 2. Non-payment related defaults   | 7. Modifications to the rights of security holders                                  |
| 3. Unscheduled draws on debt service reserves reflecting financial difficulties | 8. Bond calls   |
| 4. Unscheduled draws on credit enhancements reflecting financial difficulties   | 9. Defeasances  |
| 5. Substitution of credit or liquidity providers, or their failure to perform   | 10. Release, substitution, or sale of property securing repayment of the securities |
|   | 11. Rating changes  |

**D. Notice of Failure to Provide Certain Annual Financial Information as Required – See attached information.**

**E. Other Secondary Market Information** (Specify): \_\_\_\_\_

**I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:**

**Issuer Contact:**

**Issuer Contact:**

Name JAY M. GOLDSTONE Title CHIEF OPERATING OFFICER  
Employer CITY OF SAN DIEGO  
Address 202 C STREET, MAIL STATION 11 City SAN DIEGO State CA Zip Code 92101

**Dissemination Agent Contact, if any:**

Name JAY M. GOLDSTONE Title CHIEF OPERATING OFFICER  
Employer CITY OF SAN DIEGO  
Address 202 C STREET, MAIL STATION 11 City SAN DIEGO State CA Zip Code 92101  
Relationship to Issuer: DISCLOSURE REPRESENTATIVE

**[Investor Relations Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

**COMBINED ANNUAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2004  
RELATING TO**

**\$33,430,000**  
**CITY OF SAN DIEGO, CALIFORNIA**  
**Certificates of Participation**  
**(Balboa Park and Mission Bay Park Capital Improvements Program)**  
**Series 1996A**  
**(CUSIP Number 797260)**

**\$11,720,000**  
**CITY OF SAN DIEGO, CALIFORNIA**  
**Refunding Certificates of Participation**  
**(Balboa Park and Mission Bay Park Capital Improvements Program, Series 1991)**  
**Series 1996B**  
**(CUSIP Number 797260)**

**\$68,425,000**  
**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO**  
**Taxable Lease Revenue Bonds, Series 1996A**  
**(San Diego Jack Murphy Stadium)**  
**(CUSIP Number 797299)**

**\$205,000,000**  
**CONVENTION CENTER EXPANSION FINANCING AUTHORITY**  
**Lease Revenue Bonds Series 1998A**  
**(City of San Diego, California as Lessee)**  
**(CUSIP Number 79727L)**

**\$25,070,000**  
**PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO**  
**Lease Revenue Bonds, Series 2002B**  
**(Fire and Life Safety Facilities Project)**  
**(CUSIP Number 797299)**

**\$15,255,000**  
**CITY OF SAN DIEGO/MTDB AUTHORITY**  
**2003 Lease Revenue Refunding Bonds**  
**(San Diego Old Town Light Rail Transit Extension Refunding)**  
**(CUSIP Number 797448)**

**\$17,425,000**  
**CITY OF SAN DIEGO**  
**2003 Certificates of Participation**  
**(1993 Balboa Park/Mission Bay Park Refunding)**  
**Evidencing Undivided Proportionate Interest in Lease Payments to be Made by the City of San Diego**  
**Pursuant to a Lease with the San Diego Facilities and Equipment Leasing Corporation**  
**(CUSIP Number 797260)**

## **Introduction**

This Annual Report is being provided by the City of San Diego (the “City”) on behalf of itself, the San Diego Facilities and Equipment Leasing Corporation (the “Corporation”), the Public Facilities Financing Authority of the City of San Diego (the “PFFA”), the City of San Diego/MTDB Authority (the “MTDB Authority”), and the Convention Center Expansion Financing Authority (“the Convention Center Authority”) for the above stated issuances pursuant to Continuing Disclosure Agreements (entered into to allow the respective underwriters to comply with Securities and Exchange Commission Rule 15c2-12) for the Fiscal Years ended June 30, 2003 and June 30, 2004. The audits of the City’s financial statements for the Fiscal Years ended June 30, 2003 and June 30, 2004 were only recently completed. To the extent the City previously submitted financial information and operating data for the Fiscal Years ended June 30, 2003 and June 30, 2004, this submission replaces that information and data in its entirety. On October 26, 2007, Macias Gini and O’Connell LLP, the outside auditor, issued a clean audit opinion on the City’s Fiscal Year 2005 Comprehensive Annual Financial Report (“CAFR”). The City’s Audit Committee began its review of the Fiscal Year 2005 CAFR on November 27, 2007, which will be followed by City Council’s action to receive and file at a future date.

Subsequent to such action, the required continuing disclosure annual reports for Fiscal Year 2005 will be prepared and filed with the NRMSIRs.

The City's audited financial statements for the Fiscal Year ended June 30, 2003, contained substantial restatements of entries included in the City's audited financial statements for the Fiscal Year ended June 30, 2002. Accordingly, the City has determined in this Annual Report, with respect to those tables and text derived from the financial statements, not to include information prior to the Fiscal Year ended June 30, 2003.

This Annual Report, including any amendment or supplement hereto, is being transmitted electronically by the City to DisclosureUSA, which in turn will transmit this filing to each of the Nationally Recognized Municipal Securities Information Repositories (the "NRMSIRs") approved by the Securities and Exchange Commission, set forth in Exhibit A.

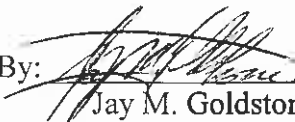
This Annual Report is provided in accordance with the terms of the Continuing Disclosure Agreements, and does not purport to provide full and complete information on the terms of the above stated issuances. The filing of this Annual Report does not constitute or imply any representation that no changes, circumstances or events have occurred since the end of the Fiscal Years to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the security for the above stated issuances or an investor's decision to buy, sell or hold the above-stated issuances. Certain information and data provided herein was obtained from sources other than the City ("Outside Information"), as indicated by the source citations. Although the information contained in these Annual Reports has been obtained from sources that are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completion or accuracy. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the City, the Corporation, the PFFA, the Convention Center Authority, or the MTDB Authority.

The City is acting as the Dissemination Agent for each of the above stated issuances. The City does not have any obligation to update this report other than as expressly provided in the Continuing Disclosure Agreement for each of the above stated issuances.

Any statements regarding the above stated issuances, other than a statement made by the City in an official release or subsequent notice or annual report that is filed with the NRMSIRs, are not authorized by the City. The City shall not be responsible for the accuracy, completeness, or fairness of any such unauthorized statement.

DATED: 12/11, 2007

CITY OF SAN DIEGO

By:   
Jay M. Goldstone  
Chief Operating Officer

Distribution: Nationally Recognized Municipal Securities Information Repositories  
Wells Fargo Bank, National Association  
BNY Western Trust Company  
Ambac Assurance Corporation  
MBIA Insurance Corporation

## EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission:

**Bloomberg Municipal Repository**

100 Business Park Drive

Skillman, NJ 08558

Phone: (609) 279-3225

Fax: (609) 279-5962

Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

**Interactive Data Pricing and Reference Data, Inc.**

Attn: NRMSIR

100 William Street, 15<sup>th</sup> Floor

New York, NY 10038

Phone: (212) 771-6999

Fax: (212) 771-7390

Email: [NRMSIR@interactivedata.com](mailto:NRMSIR@interactivedata.com)

**Standard & Poor's Securities Evaluations, Inc.**

55 Water Street, 45<sup>th</sup> Floor

New York, NY 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

**DPC Data, Inc.**

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-0701

Fax: (201) 947-0107

Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

**Balboa Park and Mission Bay Park Capital Improvements Program Certificates of Participation, Series 1996A**  
**Balboa Park and Mission Bay Park Capital Improvements Program Refunding Certificates of Participation, Series 1996B**  
**San Diego Jack Murphy Stadium Taxable Lease Revenue Bonds, Series 1996A**  
**Convention Center Lease Revenue Bonds, Series 1998A**  
**Fire and Life Safety Facilities Project Lease Revenue Bonds, Series 2002B**  
**2003 Certificates of Participation (1993 Balboa Park/Mission Bay Park Refunding)**  
**2003 Lease Revenue Refunding Bonds (San Diego Old Town Light Rail Transit Extension Refunding)**

**Combined Annual Report for the Fiscal Years Ended June 30, 2003 and June 30, 2004**

As required by the Continuing Disclosure Agreements or Certificates for the issuances covered by this Annual Report, below are updates of the required certain tabular information from the Official Statements and updates of information under the captions “Labor Relations”, “Pension Plan”, “Public Liability Insurance”, and “Investment of Funds.”

**1. Transient Occupancy Tax**

**CITY OF SAN DIEGO**  
**TRANSIENT OCCUPANCY TAX <sup>(1)</sup>**  
***Fiscal Year 2003 and 2004<sup>(2)</sup>***  
***(in thousands)***

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 105,262
2004	\$ 113,209 <sup>(3)</sup>

- 
- (1) Includes both the General Fund portion of TOT (5.5¢ of 10.5¢) and the balance (5¢ of 10.5¢) allocated to Special Promotional Programs.
- (2) The information called for by this table for the fiscal years ended June 30, 2000 through 2002, has not been provided. See page ‘i’ hereof, under the caption “Introduction” for information regarding financial information prior to Fiscal Year 2003.
- (3) Includes revenues from activities related to Super Bowl XXXVII; the City believes that the amount of TOT revenues that the City received from activities related to Super Bowl XXXVII was approximately \$2.6 million.

Source: Fiscal Year 2003 and 2004 Comprehensive Annual Financial Reports, Comptroller’s Office

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## 2. Building Permit Valuations And Number Of Dwelling Units

**CITY OF SAN DIEGO**  
**BUILDING PERMIT VALUATIONS AND NUMBER OF DWELLING UNITS**  
*Fiscal Year Ended June 30, 2002 through 2006*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Valuation (in thousands)</b>					
Residential	\$1,244,917	\$1,395,286	\$1,227,388	\$1,321,526	\$1,006,378
Nonresidential	<u>854,831</u>	<u>511,743</u>	<u>717,693</u>	<u>641,857</u>	<u>953,714</u>
Total	<u>\$2,099,748</u>	<u>\$1,907,029</u>	<u>\$1,945,081</u>	<u>\$1,963,383</u>	<u>\$1,960,092</u>
 <b>Number of New Dwelling</b>					
Single Family	2,353	2,379	1,877	1,271	1,290
Multiple Family	<u>4,150</u>	<u>5,280</u>	<u>4,005</u>	<u>5,334</u>	<u>3,260</u>
Total	<u>6,503</u>	<u>7,659</u>	<u>5,882</u>	<u>6,605</u>	<u>4,550</u>

Source: Development Services Department

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### 3. Balance Sheet For The General Fund

**CITY OF SAN DIEGO**  
**BALANCE SHEET FOR THE GENERAL FUND**  
*Fiscal Year Ended June 30, 2003 and 2004<sup>(1)</sup>*  
*(in thousands)*

	<u>2003</u>	<u>2004</u>
<b>ASSETS</b>		
Cash or Equity in Pooled Cash & Investments	\$29,660	\$23,819
Receivables:		
Taxes – Net	61,319	69,275
Accounts – Net	12,242	36,709
Claims – Net	25	62
Accrued Interest	477	374
From Other Funds	11,880	10,100
From Other Agencies	857	68
Investment in Joint Venture	2,007	1,522
Advances to Other Funds	1,790	1,790
Advances to Other Agencies	352	350
Prepaid Items	585	207
Cash and Investments for TANS Repayment <sup>(2)</sup>	<u>96,229</u>	--
<b>Total Assets</b>	<u>\$217,423</u>	<u>\$144,276</u>
<b>LIABILITIES</b>		
Accounts Payable	\$3,438	\$3,718
Accrued Wages and Benefits	29,615	36,456
Deferred Revenue	23,212	41,894
Advances from Other Funds	906	986
Contracts and Notes Payable	<u>93,200</u>	--
<b>Total Liabilities</b>	<u>\$150,371</u>	<u>\$83,054</u>
<b>FUND EQUITY</b>		
Reserves:		
Reserved for Encumbrances	\$17,333	\$14,888
Reserved for Advances & Deposits	2,142	2,140
Reserved for Investment in Joint Venture	2,007	1,522
Unreserved:		
Designated for Unrealized Gains	871	--
Designated for Subsequent Years'		
Expenditures	806	1,333
Undesignated	<u>43,893</u>	<u>41,339</u>
<b>Total Fund Equity</b>	<u>\$67,052</u>	<u>61,222</u>
<b>Total Liabilities &amp; Fund Equity</b>	<u>\$217,423</u>	<u>\$144,276</u>

(1) The information called for by this table for the fiscal years ended June 30, 2000 through 2002, has not been provided. See page 'i' hereof, under the caption "Introduction" for information regarding financial information prior to Fiscal Year 2003.

(2) The Fiscal Year 2003 TAN was a 13 month note, hence cash was set aside to repay principal and interest due on August 1, 2003 (Fiscal Year 2004); the Fiscal Year 2004 TAN was a 12 month note, repaid within the same fiscal year and hence no cash was set aside for repayment (see note 8 of the Fiscal Year 2004 CAFR, for further details).

Source: Fiscal Year 2003 and 2004 Comprehensive Annual Financial Reports, Comptroller's Office

**4. Statement Of Revenues, Expenditures And Changes In Fund Balance For The General Fund**

**CITY OF SAN DIEGO  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE FOR THE GENERAL FUND  
*Fiscal Years Ended June 30, 2003 and 2004 (in thousands)(1)***

	<u>2003</u>	<u>2004</u>
<b>REVENUES:</b>		
Property Taxes	\$184,641	\$201,133
Sales Taxes <sup>(2)</sup>	129,262	137,360
Transient Occupancy Taxes <sup>(3)</sup>	--	59,530
Other Local Taxes <sup>(3)</sup>	109,241	64,977
Licenses and Permits	22,655	23,699
Fines, Forfeitures and Penalties	25,373	31,832
Revenues from Use of Money and Property	30,539	27,758
Revenues from Federal Agencies	1,706	4,055
Revenues from Other Agencies	90,355	74,204
Charges for Current Services	97,365	98,956
Other Revenue	<u>2,587</u>	2,870
<b>Total Revenues</b>	<b><u>\$693,724</u></b>	<b><u>\$726,374</u></b>
<b>EXPENDITURES:</b>		
Current:		
General Government and Other Support Services	\$138,017	\$134,865
Neighborhood Services	29,196	25,997
Public Safety	399,756	421,584
Parks, Recreation and Culture	93,982	97,380
Transportation	20,996	20,219
Sanitation and Health	35,888	39,111
Debt Service:		
Principal Retirement	1,825	2,318
Interest	<u>2,801</u>	<u>5,442</u>
<b>Total Expenditures</b>	<b><u>\$724,461</u></b>	<b><u>\$746,916</u></b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(\$28,737)</u>	<u>(\$20,542)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from Proprietary/ Fiduciary Funds	\$5,480	\$2,941
Transfers from Other Funds	39,028	37,944
Transfers to Proprietary Funds	(7,080)	(13,707)
Transfers to Other Funds	(19,011)	(15,665)
Net Income from Joint Venture	870	(485)
Proceeds from Capital Leases	7,282	3,634
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>\$26,569</u></b>	<b><u>\$14,712</u></b>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>(\$2,168)</u>	<u>(\$5,830)</u>
<b>FUND BALANCE AT JULY 1</b>	<b><u>\$69,220</u></b>	<b><u>\$67,052</u></b>
<b>FUND BALANCE AT FOLLOWING JUNE 30</b>	<b><u>\$67,052</u></b>	<b><u>\$61,222</u></b>

- (1) The information called for by this table for the fiscal years ended June 30, 2000 through 2002, has not been provided. See page 'i' hereof, under the caption "Introduction" for information regarding financial information prior to Fiscal Year 2003.
- (2) Includes Proposition 172 Safety Sales Tax.
- (3) Beginning Fiscal Year 2004, Transient Occupancy Tax Revenue was recorded separately from Other Local Taxes.

Source: Fiscal Year 2003 and 2004 Comprehensive Annual Financial Reports, Comptroller's Office

## 5. Operating Budget Summary

### CITY OF SAN DIEGO OPERATING BUDGET SUMMARY *Fiscal Year 2003-2008* (in thousands)

	Actuals on a Budgetary Basis  Fiscal Year 2003	Actuals on a Budgetary Basis  Fiscal Year 2004	Unaudited Actuals on a Budgetary Basis Fiscal Year 2005	Unaudited Actuals on a Budgetary Basis Fiscal Year 2006	Adopted Budget  Fiscal Year 2007	Adopted Budget  Fiscal Year 2008
<b>REVENUE SOURCES:</b>						
Property Tax (1)	\$184,641	\$201,133	\$223,500	\$251,521	\$344,196	\$385,689
Sales Tax (2)	129,262	137,360	143,596	155,988	243,070	247,887
Property Transfer Tax	8,357	10,562	12,769	11,712	14,873	7,571
Transient Occupancy Tax	55,262	59,530	63,910	71,725	72,863	85,185
Licenses and Permits	22,655	23,699	28,459	31,913	30,703	34,352
Fines, Forfeitures, and Penalties	25,373	31,832	31,857	32,345	34,926	35,096
Interest Earnings (3)	3,234	1,396	1,784	3,737	1,000	7,777
Franchises	45,622	54,415	60,687	60,271	64,783	69,586
Other Rents and Concessions	27,609	27,233	31,231	34,565	32,663	40,758
Motor Vehicle License Fees	71,842	58,952	8,376	8,817	9,255	7,938
Other Revenue from Agencies (4)	20,219	19,307	73,083	78,158	21,603	10,930
Charges for Current Services	97,365	98,956	105,293	91,202	88,305	81,347
Transfers from Other Funds (4)	44,508	40,935	65,952	73,649	62,156	91,588
Other Revenue	2,587	2,870	3,248	2,830	806	627
Net Income (Loss) from Joint Venture	870	(485)	20	522	--	--
Prior Year Fund Balance (4)	19,199	19,845	13,994	16,527	--	--
Total General Fund Revenues (4)	<b><u>\$758,605</u></b>	<b><u>\$787,540</u></b>	<b><u>\$867,759</u></b>	<b><u>\$925,482</u></b>	<b><u>\$1,021,203</u></b>	<b><u>\$1,106,331</u></b>
<b>EXPENDITURES (5)</b>						
Office of Ethics & Integrity	--	--	--	--	\$1,195	\$2,401
Business & Support Services	--	--	--	--	\$157,121	\$172,163
Department of Finance	--	--	--	--	\$75,762	\$81,680
Public Safety and Homeland Security	--	--	--	--	\$534,106	\$577,652
Community & Legislative Services	--	--	--	--	\$4,947	\$4,879
Public Works	--	--	--	--	\$163,483	\$185,122
Land Use & Economic Development	--	--	--	--	\$29,290	\$28,381
Non-Mayoral	--	--	--	--	\$55,070	\$53,426
Other	--	--	--	--	\$229	\$628
Public Safety	\$396,881	\$421,194	\$480,075	\$509,203	--	--
Parks and Recreation & Recreation	97,593	101,328	109,202	\$111,096	--	--
Sanitation and Health	36,394	39,880	41,610	\$42,909	--	--
Transportation	20,981	20,820	22,354	\$24,207	--	--
Neighborhood Services	30,420	26,893	26,267	\$20,491	--	--
Operations Support	142,713	140,293	168,598	\$162,393	--	--
Debt Service	\$7,532	\$7,760	4,192	5,920	--	--
Transfers	\$26,091	\$29,372	15,461	49,263	--	--
Internal Support/Management	--	--	--	--	--	--
Total General Fund Expenditures	<b><u>\$758,605</u></b>	<b><u>\$787,540</u></b>	<b><u>\$867,759</u></b>	<b><u>\$925,482</u></b>	<b><u>\$1,021,203</u></b>	<b><u>\$1,106,331</u></b>

<sup>(1)</sup> Beginning in Fiscal Year 2007, the Property Tax budget includes a \$16.9 million repayment of the ERAF III shift.

<sup>(2)</sup> Includes Proposition 172 Safety Sales Tax. Beginning in Fiscal Year 2007, the General Fund Sales Tax and Safety Sales Tax budgets were restructured to include all Sales Tax and Safety Sales Tax revenue received by the City.

<sup>(3)</sup> Beginning in Fiscal Year 2008, the Interest Earnings revenue was restructured to include all Interest Earning revenue received for the City's General Fund. Prior to Fiscal Year 2008, only interest earnings related to TRANS issuance were included.

<sup>(4)</sup> Prior Year Fund Balance represents the amount of fund balance or carryover from the prior year that is needed to cover excess expenditures over actual revenue in the current year. Beginning Fiscal Year 2007 carryover from the prior year was not a revenue source to balance the budget.

<sup>(5)</sup> Change in expenditure categories represents organizational restructuring.

Source: Fiscal Year 2003 - Fiscal Year 2004: Comprehensive Annual Financial Reports, Comptroller's Office  
 Fiscal Year 2005 - Fiscal Year 2006: Comptroller's Office  
 Fiscal Year 2007 - Fiscal Year 2008: Annual Budget, Financial Management

## 6. Assessed Valuation

### ASSESSED VALUATION <sup>(1)(2)</sup> *Fiscal Years Ended June 30, 1994 through 2004* *(in thousands except for percentages)*

Fiscal Year	Secured	Unsecured		Less	Net Assessed	Annual Assessed
Ending	Property	Property	Gross Total	Exemptions <sup>(3)</sup>	Valuations <sup>(4)</sup>	Valuation %
June 30						Change
1994	\$60,939,995	\$4,371,923	\$65,311,918	\$2,420,027	\$62,891,891	0.72%
1995	\$61,793,760	\$4,303,198	\$66,096,958	\$2,489,507	\$63,607,451	1.14%
1996	\$61,893,902	\$4,353,543	\$66,247,445	\$2,355,174	\$63,892,271	0.45%
1997	\$63,562,588	\$4,988,950	\$68,551,538	\$2,910,753	\$65,640,785	2.74%
1998	\$68,648,609	\$5,337,916	\$73,986,525	\$2,994,814	\$70,991,711	8.15%
1999	\$75,788,751	\$5,852,822	\$81,641,573	\$2,987,620	\$78,653,953	10.79%
2000	\$82,195,239	\$6,347,101	\$88,542,340	\$3,249,480	\$85,292,860	8.44%
2001	\$89,259,317	\$6,838,926	\$96,098,243	\$3,572,188	\$92,526,055	8.48%
2002	\$96,534,652	\$6,959,602	\$103,494,254	\$3,189,764	\$100,304,490	8.41%
2003	\$105,602,893	\$7,230,861	\$112,833,754	\$4,006,246	\$108,827,508	8.50%
2004	\$115,116,772	\$6,842,254	\$121,959,026	\$4,271,203	\$117,687,823	8.14%

(1) The official date of assessment is the first day of January preceding the Fiscal Year during which taxes are levied. For example, January 1, 2003 is the official assessment date for property taxes due during Fiscal Year 2004. The City receives preliminary estimates from the County Assessor in March and final assessment estimates in late June, or early July.

(2) Includes both locally assessed and State assessed utility property.

(3) Excludes homeowners' and business inventory exemptions.

(4) Net assessed valuation for tax rate purposes.

Source: Fiscal Year 2003 and Fiscal Year 2004 Comprehensive Annual Financial Reports Statistical Section (unaudited), Comptroller's Office

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## 7. Secured Tax Levies And Collections

### SECURED TAX LEVIES AND COLLECTIONS (Unaudited) *Fiscal Year Ended June 30, 1994 through 2004* *(in thousands except for percentages)*

<u>Fiscal Year Ending June 30</u>	<u>Tax Levy</u>	<u>Current Year Collections</u>	<u>Current Year Collections as Percentage of Current Tax Levy</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percentage of Current Tax Levy<sup>(1)</sup></u>
1994	\$109,881	\$105,911	96.39%	\$110,738	100.78%
1995	\$109,754	\$104,295	95.03%	\$108,192	98.58%
1996	\$111,281	\$108,137	97.18%	\$110,513	99.31%
1997	\$111,719	\$108,676	97.28%	\$110,563	98.96%
1998	\$116,912	\$114,311	97.78%	\$117,429	100.44%
1999	\$127,846	\$124,267	97.20%	\$126,923	99.28%
2000	\$141,963	\$137,859	97.11%	\$140,225	98.78%
2001	\$155,060	\$150,900	97.32%	\$153,406	98.93%
2002	\$167,077	\$163,357	97.77%	\$165,446	99.02%
2003	\$181,687	\$175,943	96.84%	\$178,341	98.16%
2004	\$199,630	\$191,224	95.79%	\$194,399	97.38%

(1) Total Collections include unpaid taxes from previous years' tax levies collected in the current Fiscal Year.

Source: Fiscal Year 2004 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office

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## 8A. Principal Property Taxpayers in City Of San Diego

### PRINCIPAL PROPERTY TAXPAYERS IN CITY OF SAN DIEGO <sup>(1)</sup>

June 30, 2003

(in thousands, except for percentages)

<u>Taxpayers</u>	<u>Type of Business</u>	<u>Assessed Valuation</u> <sup>(2)</sup>	Percentage of <u>Net Assessed Valuation</u> <sup>(3)</sup>	<u>Amount of Tax</u>
Kilroy Realty LP	Real Estate	\$687,493	0.64%	\$7,149
Qualcomm, Inc.	Electronics	486,805	0.45	5,499
Fashion Valley Mall LLC	Shopping Center	426,783	0.40	4,812
Arden Realty LTD	Developer	346,794	0.32	3,748
Sea World, Inc.	Entertainment	295,550	0.28	3,330
Pacific Gateway, LTD	Developer/Property Manager	255,326	0.24	2,879
ERP Operating LTD Partnership	Developer/Property Manager	245,061	0.23	2,810
Manchester Resorts	Hotel	241,729	0.23	2,725
Irvine Apartments	Real Estate	232,477	0.22	2,710
One America Plaza	Real Estate	<u>258,484</u>	<u>0.24</u>	<u>2,493</u>
<b>TOTAL</b>		<b><u>\$3,476,502</u></b>	<b><u>3.25%</u></b>	<b><u>\$38,155</u></b>

(1) This table excludes public utilities, including San Diego Gas & Electric Company, Pacific Bell, and American Telephone and Telegraph, because valuations for these businesses within the City's Tax Rate Area cannot be readily determined; property taxes for these businesses are tracked as a separate Tax Rate Area for the entire County.

(2) Total assessed valuation includes both secured and unsecured property.

(3) Using total Net Assessed Valuation of \$107,418,219,000 which excludes all exemptions (Net assessed valuation for tax rate purposes minus all other exemptions).

Source: Fiscal Year 2003 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office

## 8B. PRINCIPAL PROPERTY TAXPAYERS IN CITY OF SAN DIEGO <sup>(1)</sup>

June 30, 2004

(in thousands, except for percentages)

<u>Taxpayers</u>	<u>Type of Business</u>	<u>Assessed Valuation</u> <sup>(2)</sup>	Percentage of <u>Net Assessed Valuation</u> <sup>(3)</sup>	<u>Amount of Tax</u>
San Diego Family Housing LLC	Real Estate	\$985,543	0.85%	\$8,278
Kilroy Realty LP	Real Estate	660,848	0.57	7,144
Qualcomm, Inc.	Electronics	512,483	0.44	5,749
Manchester Resorts	Hotel	443,514	0.38	4,800
Fashion Valley Mall LLC	Shopping Center	419,626	0.36	4,694
Sea World, Inc.	Entertainment	349,404	0.30	3,909
Pacific Gateway, LTD	Developer/Property Manager	260,093	0.22	2,909
ERP Operating LTD Partnership	Developer/Property Manager	249,646	0.21	2,844
Fenton HG	Developer/Property Manager	230,687	0.20	2,802
Irvine Apartments Communities	Real Estate	<u>236,257</u>	<u>0.20</u>	<u>2,740</u>
<b>TOTAL</b>		<b><u>\$4,348,101</u></b>	<b><u>3.73%</u></b>	<b><u>\$45,869</u></b>

(1) This table excludes public utilities, including San Diego Gas & Electric Company, Pacific Bell, and American Telephone and Telegraph, because valuations for these businesses within the City's Tax Rate Area cannot be readily determined; property taxes for these businesses are tracked as a separate Tax Rate Area for the entire County.

(2) Total assessed valuation includes both secured and unsecured property.

(3) Using total Net Assessed Valuation of \$116,268,372,000 which excludes all exemptions (Net assessed valuation for tax rate purposes minus all other exemptions).

Source: Fiscal Year 2004 Comprehensive Annual Financial Report Statistical Section (unaudited), Comptroller's Office

## **9. Labor Relations**

Most City employees are represented by one of five labor organizations. As of June 2007, the American Federation of State and County Municipal Employees (Local 127) represents approximately 2211 employees; the Municipal Employees Association (MEA) and unrepresented employees (who are part of the MEA bargaining unit for salary purposes) represents approximately 5558 employees; the Police Officers Association (POA) represents approximately 2089 employees; The International Association of Firefighters (Local 145) represents approximately 1036 employees; and the Deputy City Attorneys' Association (DCAA) represents approximately 132 employees.

Labor agreements were in place with Local 127, MEA, and Local 145 through June 20, 2005. MEA and Local 127 received the following pay increases: 2% effective December 2003, 2% effective June 2004, 3% effective December 2004 and 3% effective June 2005. Local 145 received the following pay increase: 2% effective July 2003, 2% effective December 2003, 4% effective July 2004, and 2% effective December 2004. In addition to increases in paid compensation, MEA, Local 127 and Local 145 also received increases in the amount of employee retirement contributions paid by the City on behalf of the employees. Including these retirement benefit increases, over the three-year period of the labor agreements total compensation increased by 12.6% for MEA and Local 127, and by 15.7% for Local 145. A labor agreement with POA through June 30, 2003 provided the POA with a 2% pay increase and a 1.7% increase in retirement compensation effective July 2002.

The labor agreement for Fiscal Year 2006 included a 1.9% salary decrease for Local 127. MEA and Local 145 agreed to pay an additional 3% of the employee retirement contribution that was being paid by the City. DCAA agreed to pay an additional 3% of the employee retirement contribution that was being paid by the City. POA was imposed to pay an additional 3.2% of the employee retirement contribution that was being paid by the City. All actions were effective July 2005.

In the labor agreement for Fiscal Year 2007 Local 145 agreed to no increase. POA was imposed no increase. DCAA agreed to pay an additional .2% of the employee retirement contribution that was being paid by the City effective July 1, 2006.

In the labor agreements for Fiscal Year 2008, MEA and Local 127 received a pay increase of 4.0% effective July 1, 2007. POA received a pay increase of 6% effective July 1, 2007 and will receive an additional 2% effective December 29, 2007. DCAA and Local 145 did not reach agreement and the City imposed its last, best and final offer which contained no pay increase.

## **10. Pension Plan**

The Fiscal Year 2006 actuarial report, dated January 12, 2007, prepared by SDCERS's actuary shows an unfunded actuarial accrued liability ("UAAL") for the pension system of approximately \$1.0 Billion. The City had an actuarial report prepared for its other post-employment benefits, and that Fiscal Year 2006 report, dated June 1, 2007, showed an UAAL for retiree healthcare of approximately \$1.097 Billion. The challenges posed by the unfunded pension liability are significant and, together with significant costs related to the other post-employment healthcare benefits, pose a threat to the future fiscal health of the City.

The unfunded actuarial liabilities and the funding ratios set forth in the Fiscal Year 2003 and 2004 CAFRs relating to the City's pension system and other post-employment benefits are based upon numerous demographic and economic assumptions, including the investment return rates, inflation

rates, salary increase rates, cost of living adjustments, post-retirement mortality, active member mortality, rates of retirement, etc. The reader is cautioned to review, and carefully assess the reasonableness of, the assumptions set forth in the documents that are cited as the sources for the information in such CAFRs. In addition, the reader is cautioned that such sources and the underlying assumptions speak as of their respective dates, and are subject to changes, any of which could cause a significant change in the unfunded actuarial accrued liabilities and funding ratios.

Additional information on the City's Pension Plan for Fiscal Years 2003 and 2004 is contained in the attached Fiscal Year 2003 and 2004 CAFRs. This information will be supplemented by the Fiscal Year 2005 CAFR; on October 26, 2007, Macias Gini and O'Connell LLP, the outside auditor, issued a clean audit opinion on the City's Fiscal Year 2005 CAFR. The City's Audit Committee began its review of the Fiscal Year 2005 CAFR on November 27, 2007, which will be followed by City Council's action to receive and file at a future date. Subsequent to such action, the required continuing disclosure annual reports for Fiscal Year 2005 will be prepared and filed with the NRMSIRs.

## **11. Public Liability Insurance**

The City maintains an excess liability insurance policy in collaboration with a statewide joint powers authority risk pool, the California State Association of Counties-Excess Insurance Authority (CSAC-EIA) whereby the City pays the first \$1,000 per occurrence. Effective July 2003, the City's excess liability insurance coverage was obtained through a sister joint powers risk pool, California Public Entity Insurance Authority (CPEIA) for amounts up to \$50,000 per occurrence in excess of a \$2,000 self-insured retention.

The City is fully self-insured for workers' compensation and long-term disability (LTD). All operating funds of the City participate in both these programs and make payments to the Self Insurance Fund. Each fund contributes an amount equal to a specified rate multiplied by the gross salaries of the fund. These payments are treated as operating expenditures in the contributing funds and operating revenues in the Self Insurance Fund.

Public liability, workers' compensation, and long-term disability estimated liabilities as of June 30, 2004 are determined based on results of independent actuarial evaluations and include amounts for claims incurred but not reported and adjustment expenses. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Estimated liabilities for public liability claims have been recorded in the Self Insurance Fund, Sewer Utility Fund, and Water Utility Fund.

**CITY OF SAN DIEGO**  
**LIABILITY CLAIMS<sup>(1)</sup> AND PREMIUMS**  
*Fiscal Years ended June 30, 2002 through 2006*

<u>Fiscal Year</u>	<u>Liability Claims Expenses and Settlement Costs</u>		<u>Liability Premium Payments</u>
2002	--	(2)	\$1,067,761
2003	\$11,292,000		\$1,477,094
2004	\$12,267,000		\$1,436,565
2005	--	(3)	\$1,699,039
2006	--	(3)	\$2,833,457

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- (1) The City's portion of settlement and investigation expenses for third party public liability claims, and other litigation expenses.
- (2) The information called for by this table for the fiscal year ended June 30, 2002 has not been provided. See page 'i' hereof, under the caption "Introduction" for information regarding financial information prior to Fiscal Year 2003.
- (3) The information called for by this table for the years ended June 30, 2005 and June 30, 2006, will be provided upon release of the respective audited financial statements.

Source: Information under tabular heading "Liability Claims Expenses and Settlement costs" –Fiscal Year 2003 and 2004 Comprehensive Annual Financial Reports, Comptroller's Office  
Information under tabular heading "Liability Premium Payments" - Risk Management Department

## **12. Investment of Funds**

The City Treasurer, in accordance with the Charter of the City and authority granted by the City Council, is responsible for investing the unexpended cash in the Treasurer's pooled operating investment fund (the "City Pool"). Responsibility for the daily investment of funds in the City Pool is delegated to the City's Chief Investment Officer. The City and certain related entities<sup>1</sup> are the only participants in the City Pool; there are no other City Pool participants either voluntary or involuntary. The investment objectives of the City Pool are preservation of capital, liquidity and return.

### **Oversight and Reporting Requirements**

Effective January 2006, San Diego changed to a Strong Mayor form of Government from a Council-Manager format. Under the Strong Mayor structure, the Mayor is the City's Chief Executive Officer with an eight (8) member City Council acting as the legislative body. This change was approved by the citizens of San Diego in 2004 for a five (5) year trial basis upon its implementation in 2006. The Strong Mayor provisions expire on December 31, 2010 unless extended or otherwise amended by a vote of the citizens of San Diego.

Prior to January 2006, under the Council-Manager form of Government, the City Treasurer provided investment reports on a monthly basis to the City Manager, the City Auditor and Comptroller

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<sup>1</sup> The related entities are the Centre City Development Corporation, City of San Diego/Metropolitan Transit Development Board Authority, Convention Center Expansion Financing Authority, Public Facilities Financing Authority, Redevelopment Agency of the City of San Diego, San Diego Data Processing Corporation, San Diego Facilities and Equipment Leasing Corporation, San Diego Industrial Development Authority, San Diego Open Space Park Facilities District #1, Southeastern Economic Development Corporation, San Diego City Employees' Retirement System, Community Facility and Other Special Assessment Districts, San Diego Convention Center Corporation, and the San Diego Housing Commission (see Note 1 to the 2004 CAFR).

and the City Council and annually presented a statement of investment policy (the "Investment Guidelines") to the City Manager, the City Council and the City Manager's Investment Advisory Committee. Under the Strong Mayor form of Government, the City Treasurer provides an investment report on a monthly basis to the Chief Financial Officer, the City Auditor and Comptroller and the City Council and annually presents the Investment Guidelines to the Chief Financial Officer, the City Council, and the Mayor's Investment Advisory Committee. The Investment Advisory Committee established in 1990, which was comprised of the City Auditor and Comptroller, a Deputy City Manager and three investment professionals from the private sector under the Council-Manager form of Government, is now comprised of the Financial Management Director, the Chief Financial Officer and three investment professionals from the private sector under the Strong Mayor form of Government. The Committee is charged with oversight responsibility to review on an ongoing basis the Investment Guidelines and practices of the City Treasurer and recommend changes. Investments in the City Pool are audited by an independent firm of certified public accountants as part of the overall audit of the City's financial statements.

The City's investment section uses outside services to provide investment portfolio valuations and accounting and reporting services. These services provide monthly portfolio valuation, investment performance statistics and other statistical security reports, which are distributed to the Office of the City Treasurer accounting section and the Comptroller's office for review and reconciliation. The Office of the City Treasurer's accounting section prepares a series of monthly reports, which include portfolio market valuation, and distributes these to the Mayor, City Council, Chief Financial Officer, and other officials.

### **Authorized Investments**

Investments in the City Pool are governed by State law and further restricted by the City's Investment Guidelines. The Guidelines have been written with safety of principal being the foremost objective. Permitted investments include U.S. Treasury securities, U.S. Agency securities, U.S. Agency mortgage backed securities, corporate medium term notes, money market instruments and the Local Agency Investment Fund (California State Pool). Reverse repurchase agreements ("reverse repos") are restricted to 20% of the base value of the portfolio and are governed by various maturity restrictions as well. The main operating funds of the City are being managed in two separate portfolios. In its management of the "Liquidity" portfolio, comprising about 35% of total funds, the City invests in a variety of debt securities with maturities ranging from one day to one year. The remaining 65% of funds are managed in a separate "Core" portfolio that consists of a variety of debt securities ranging from one day to five years; performance is measured against the Merrill Lynch 1 to 3 year U.S. Treasury Index. Safety of principal and liquidity are the paramount considerations in the management of both portfolios.

### **Derivatives**

Since 1997, the City Pool has had no assets invested in structured notes or derivatives prohibited in California Government Code §53601. The City Treasurer defines a derivative as a financial instrument whose value is derived from an underlying asset, price, index or rate, e.g., options, futures or interest rate swaps. A structured note is an investment instrument that can contain within its structure various combinations of derivatives such as imbedded calls and interest rate swaps that will offer returns to an investor within a defined set of parameters and interest rate scenarios, e.g., step-ups, multiple-indexed notes, inverse floaters or leveraged constant maturity notes. The City Treasurer does not define fixed rate notes, debentures with call features or single index non-leveraged floating rate notes, e.g. monthly LIBOR plus or minus a spread, as structured notes. The City Treasurer limits

structured notes eligible for purchase to those investments which, at the time of purchase, have no risk of principal loss if held to maturity and offer an estimated return at purchase that exceeds the return on a comparable fixed term investment in the judgment of the City's Investment Officer. The City Treasurer does not allow the purchase of securities that have a negative amortization of principal. In addition, California law prohibits the purchase by local governments of inverse floaters, range notes or interest only strips derived from pools of mortgages.

### **Reverse Repurchase Agreements**

A reverse repo is a transaction in which the City Pool sells a security and concurrently agrees to buy it back from the same party at a later date for a price that includes an interest component for the City Pool's use of the money. Although the City is authorized to use reverse repos, since September 18, 1996, the City has had no reverse repos in the City Pool. The Investment Guidelines require that all proceeds of a reverse repo be reinvested in securities whose maturity date effectively matches the final maturity of the reverse repo. The Investment Guidelines limit the use of reverse repurchase agreements to 20% of the base value of the City Pool.

### **12A. Investment of Funds (As of June 30, 2003)**

#### **Pool Liquidity and Other Characteristics**

The City Pool (including both the "Liquidity" and the "Core" portfolios) is highly liquid. As of June 30, 2003 (on a cumulative basis), approximately 16% of the pool investments mature within 62 days, 20% within 92 days and 26% within 184 days, 48% within 1 year, 85% within 2 years, 88% within 3 years, and 100% within 5 years. As of June 30, 2003, the Pool had a weighted average maturity of 1.28 years (466 days) and its weighted yield was 2.00%. For purposes of calculating weighted average maturity, the City Treasurer treats investments in the State-wide Local Agency Investment Fund (California State Pool) as maturing within one day. The Liquidity portfolio had a duration of 0.34 years and the Core portfolio had a duration of 1.43 years as of June 30, 2003. Duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. Accordingly, the Liquidity portfolio should decrease in market value by 0.34% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.43% for every 1% increase in market interest rates. The City Pool's composition is designed with a goal of having sufficient liquid funds available to meet disbursement requirements. The composition and value of investments under management in the City Pool will vary from time to time depending on cash flow needs of the City, maturity or sale of investments, purchase of new securities, and fluctuations in interest rates.

**CITY OF SAN DIEGO POOLED OPERATING INVESTMENT FUND <sup>(1)</sup>**  
*at June 30, 2003*  
*(in thousands)*

<b><u>Investment Instrument</u></b>	<b><u>Book Value</u></b>	<b><u>Market Value</u></b>	<b><u>Percent of Total <sup>(1)</sup></u></b>
U.S. Treasury Bills and Notes	\$736,606	\$739,151	57.78%
Federal Agency Securities	366,077	368,150	28.71
Medium Term Notes (Corporate) <sup>(2)</sup>	88,594	88,560	6.95
Money Market Instruments <sup>(3)</sup>	58,499	58,501	4.59
Local Agency Investment Fund	20,448	20,506	1.61
Federal Agency Mortgage Backed Securities	4,576	4,560	0.36
<b>Total Pooled Investment Fund</b>	<b><u>\$1,274,800</u></b>	<b><u>\$1,279,428</u></b>	<b><u>100.00%</u></b>

(1) Based on book value.

(2) These notes consist of both fixed and floating interest rate securities. The notes with floating interest rates are reset at intervals ranging from one day to three months.

(3) These securities consist of commercial paper, negotiable certificates of deposit, term and overnight repurchase agreements, banker's acceptances, bank notes and/or thrift notes.

Source: Fiscal Year 2003 Comprehensive Annual Financial Report, Comptroller's Office

## **12B. Investment of Funds (As of June 30, 2004)**

### **Pool Liquidity and Other Characteristics**

The City Pool (including both the "Liquidity" and the "Core" portfolios) is highly liquid. As of June 30, 2004 (on a cumulative basis), approximately 20% of the pool investments mature within 62 days, 22% within 92 days and 33% within 184 days, 50% within 1 year, 76% within 2 years, 90% within 3 years, and 100% within 5 years. As of June 30, 2004, the Pool had a weighted average maturity of 1.29 years (472 days) and its weighted yield was 2.11%. For purposes of calculating weighted average maturity, the City Treasurer treats investments in the State-wide Local Agency Investment Fund (California State Pool) as maturing within one day. The Liquidity portfolio had a duration of 0.30 years and the Core portfolio had a duration of 1.73 years as of June 30, 2004. Duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. Accordingly, the Liquidity portfolio should decrease in market value by 0.30% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.73% for every 1% increase in market interest rates. The City Pool's composition is designed with a goal of having sufficient liquid funds available to meet disbursement requirements. The composition and value of investments under management in the City Pool will vary from time to time depending on cash flow needs of the City, maturity or sale of investments, purchase of new securities, and fluctuations in interest rates.

**CITY OF SAN DIEGO POOLED OPERATING INVESTMENT FUND <sup>(1)</sup>**  
*at June 30, 2004*  
*(in thousands)*

<b><u>Investment Instrument</u></b>	<b><u>Book Value</u></b>	<b><u>Market Value</u></b>	<b><u>Percent of Total <sup>(1)</sup></u></b>
U.S. Treasury Bills and Notes	\$365,283	\$363,011	28.75%
Federal Agency Securities	616,170	614,270	48.49%
Medium Term Notes (Corporate) <sup>(2)</sup>	146,782	142,658	11.55%
Money Market Instruments <sup>(3)</sup>	119,174	119,178	9.38%
Local Agency Investment Fund	20,880	20,847	1.64%
Federal Agency Mortgage Backed Securities	2,456	2,364	0.19%
<b>Total Pooled Investment Fund</b>	<b><u>\$1,270,745</u></b>	<b><u>\$1,262,328</u></b>	<b><u>100.00%</u></b>

(1) Based on book value.

(2) These notes consist of both fixed and floating interest rate securities. The notes with floating interest rates are reset at intervals ranging from one day to three months.

(3) These securities consist of commercial paper, negotiable certificates of deposit, term and overnight repurchase agreements, banker's acceptances, bank notes and/or thrift notes.

Source: Fiscal Year 2004 Comprehensive Annual Financial Report, Comptroller's Office

## **12C. Investment of Funds (As of June 30, 2005)**

### **Pool Liquidity and Other Characteristics**

The City Pool (including both the "Liquidity" and the "Core" portfolios) is highly liquid. As of June 30, 2005 (on a cumulative basis), approximately 11% of the pool investments mature within 62 days, 19% within 92 days and 31% within 184 days, 51% within 1 year, 78% within 2 years, 91% within 3 years, and 100% within 5 years. As of June 30, 2005, the Pool had a weighted average maturity of 1.39 years (507 days) and its weighted yield was 3.86%. For purposes of calculating weighted average maturity, the City Treasurer treats investments in the State-wide Local Agency Investment Fund (California State Pool) as maturing within one day. The Liquidity portfolio had a duration of 0.32 years and the Core portfolio had a duration of 1.69 years as of June 30, 2005. Duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. Accordingly, the Liquidity portfolio should decrease in market value by 0.32% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.69% for every 1% increase in market interest rates. The City Pool's composition is designed with a goal of having sufficient liquid funds available to meet disbursement requirements. The composition and value of investments under management in the City Pool will vary from time to time depending on cash flow needs of the City, maturity or sale of investments, purchase of new securities, and fluctuations in interest rates.

**CITY OF SAN DIEGO POOLED OPERATING INVESTMENT FUND <sup>(1)</sup>**  
**at June 30, 2005**  
**In Thousands**  
(Unaudited)

<u>Investment Instrument</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Percent of Total <sup>(1)</sup></u>
U.S. Treasury Bills and Notes	\$464,255	\$463,004	35.80%
Federal Agency Securities	\$617,921	\$616,819	47.65%
Medium Term Notes (Corporate) <sup>(2)</sup>	\$74,260	\$72,917	5.73%
Money Market Instruments <sup>(3)</sup>	\$117,643	\$117,886	9.07%
Local Agency Investment Fund	\$21,076	\$21,076	1.63%
Federal Agency Mortgage Backed Securities	<u>\$1,610</u>	<u>\$1,545</u>	<u>0.12%</u>
NET ASSETS	<u>\$1,296,765</u>	<u>\$1,293,247</u>	<u>100.00%</u>

(1) Based on book value.

(2) These notes consist of both fixed and floating interest rate securities. The notes with floating interest rates are reset at intervals ranging from one day to three months.

(3) These securities consist of commercial paper, negotiable certificates of deposit, term and overnight repurchase agreements, banker's acceptances, bank notes and/or thrift notes with a maturity of less than 1 year.

Source: Office of the City Treasurer

## **12D. INVESTMENT OF FUNDS (As of June 30, 2006)**

### **Pool Liquidity and Other Characteristics**

The City Pool (including both the "Liquidity" and the "Core" portfolios) is highly liquid. As of June 30, 2006, approximately 14% of the pool investments mature within 62 days, 21% within 92 days and 30% within 184 days, 53% within 1 year, 72% within 2 years, 92% within 3 years, and 100% within 5 years (on a cumulative basis). As of June 30, 2006, the Pool had a weighted average maturity of 1.38 years (502 days) and its weighted yield was 4.78%. For purposes of calculating weighted average maturity, the City Treasurer treats investments in the State-wide Local Agency Investment Fund (California State Pool) as maturing within one day. The Liquidity portfolio had a duration of 0.31 years and the Core portfolio had a duration of 1.77 years as of June 30, 2006. Duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. Accordingly, the Liquidity portfolio should decrease in market value by 0.31% for every 1% increase in market interest rates while the Core portfolio should decrease in market value by 1.77% for every 1% increase in market interest rates. The City Pool's composition is designed with a goal of having sufficient liquid funds available to meet disbursement requirements. The composition and value of investments under management in the City Pool will vary from time to time depending on cash flow needs of the City, maturity or sale of investments, purchase of new securities, and fluctuations in interest rates.

**CITY OF SAN DIEGO POOLED OPERATING INVESTMENT FUND <sup>(1)</sup>**  
**at June 30, 2006**  
**In Thousands**  
(Unaudited)

<u>Investment Instrument</u>	<u>Book Value</u>	<u>Market Value</u>	Percent of <u>Total</u> <sup>(1)</sup>
U.S. Treasury Bills and Notes	\$362,572	\$357,997	25.76%
Federal Agency Securities	\$825,883	\$822,650	58.68%
Medium Term Notes (Corporate) <sup>(2)</sup>	\$71,376	\$70,041	5.07%
Money Market Instruments <sup>(3)</sup>	\$125,880	\$125,989	8.94%
Local Agency Investment Fund	<u>\$21,805</u>	<u>\$21,805</u>	<u>1.55%</u>
NET ASSETS	<u>\$1,407,516</u>	<u>\$1,398,482</u>	<u>100.00%</u>

(1) Based on book value.

(2) These notes consist of both fixed and floating interest rate securities. The notes with floating interest rates are reset at intervals ranging from one day to three months.

(3) These securities consist of commercial paper, negotiable certificates of deposit, term and overnight repurchase agreements, banker's acceptances, bank notes and/or thrift notes.

Source: Office of the City Treasurer

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## 13A. General Obligation and General Fund Lease Obligations

### CITY OF SAN DIEGO GENERAL OBLIGATION AND GENERAL FUND LEASE OBLIGATIONS <sup>(1)</sup> As of June 30, 2003 (in thousands)

Fiscal Year <u>Ending June 30</u>	General Obligation <u>Bonds</u>	General Fund Lease <u>Obligations</u>	Principal and <u>Interest</u> <u>Payable</u>
2004	\$ 9,525	\$ 47,979	\$ 57,504
2005	9,646	48,920	58,565
2006	9,777	49,222	58,999
2007	9,923	46,713	56,636
2008	9,613	46,715	56,328
Thereafter	<u>16,724</u>	<u>843,395</u>	<u>860,119</u>
Subtotal	\$ 65,207	\$1,082,944	\$1,148,151
Less Interest Portion	<u>\$(13,043)</u>	<u>\$(533,404)</u>	<u>\$(546,446)</u>
Total Principal Portion	<u>\$ 52,165</u>	<u>\$ 549,540</u>	<u>\$ 601,705</u>

The following provides a summary list of outstanding general obligation bonds and General Fund lease commitments as of June 30, 2003.

<u>General Obligation Bonds</u>	Principal Outstanding (000's)
1991 – Public Safety Communications	\$ 15,690
1994 – Open Space Park Facility District Refunding <sup>(2)(3)</sup>	<u>36,475</u>
Total Principal of General Obligation Bonds	<u>\$ 52,165</u>

#### General Fund Lease Commitments

##### Certificates of Participation

1996A – Balboa Park/Mission Bay Park Capital Improvements	\$ 22,880
1996B – Balboa Park/Mission Bay Park Capital Improvements Refunding	10,150
2003 – Balboa Park/Mission Bay Park Capital Improvements Refunding	17,425

##### Lease Revenue Bonds

1994 – City/MTDB Authority Refunding - Police CIP and Bayside Extension	\$ 28,320
1996 – San Diego Jack Murphy Stadium	63,945
1998 – Convention Center Expansion Financing Authority	196,810
2002 – Ballpark and Redevelopment Project <sup>(4)</sup>	169,685
2002 – Fire and Life Safety Improvements, Phase I	25,070
2003 – City/MTDB Authority for Old Town Trolley Extension Refunding	<u>15,255</u>
Total Principal of General Fund Lease Commitments	<u>\$549,540</u>

(1) Unaudited

(2) Secured by the two-thirds portion of the City's Environmental Growth Fund. In the event that moneys pledged by the City are not sufficient to make debt service payments, the City is required to levy, on the next tax roll, a property tax on behalf of the District to cover the amount of the shortfall

(3) On April 21, 2005, the 1994 G.O. Bonds were partially redeemed (\$24,360,000 in outstanding principal and \$430,894 in accrued interest) from proceeds of the sale of the City's Vehicle License Fee Receivables and available monies in the Environmental Growth Fund.

(4) On March 12, 2007, the Public Facilities Financing Authority of the City of San Diego issued \$156,560,000 of Lease Revenue Refunding Bonds to refund the existing Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002

Source: Debt Management Department

### 13B. General Obligation and General Fund Lease Obligations

**CITY OF SAN DIEGO**  
**GENERAL OBLIGATION AND GENERAL FUND LEASE OBLIGATIONS <sup>(1)</sup>**  
*As of June 30, 2004*  
*(in thousands)*

Fiscal Year Ending June 30	General Obligation Bonds	General Fund Lease Obligations	Principal and <u>Interest</u> <u>Payable</u>
2005	\$ 9,646	\$ 48,920	\$ 58,565
2006	9,777	49,222	58,999
2007	9,923	46,713	56,636
2008	9,613	46,715	56,328
2009	9,763	46,679	56,442
Thereafter	<u>6,961</u>	<u>796,715</u>	<u>803,676</u>
Subtotal	\$ 55,682	\$1,034,964	\$1,090,646
Less Interest Portion	<u>(9,907)</u>	<u>(501,124)</u>	<u>(511,031)</u>
Total Principal Portion	<u>\$ 45,775</u>	<u>\$ 533,840</u>	<u>\$ 579,615</u>

The following provides a summary list of outstanding general obligation bonds and General Fund lease commitments as of June 30, 2004.

<u>General Obligation Bonds</u>	Principal Outstanding (000's)
1991 – Public Safety Communications	\$ 14,390
1994 – Open Space Park Facility District Refunding <sup>(2)(3)</sup>	<u>31,385</u>
Total Principal of General Obligation Bonds	<u>\$ 45,775</u>
<u>General Fund Lease Commitments</u>	
<u>Certificates of Participation</u>	
1996A – Balboa Park/Mission Bay Park Capital Improvements	\$ 20,570
1996B – Balboa Park/Mission Bay Park Capital Improvements Refunding	9,845
2003 – Balboa Park/Mission Bay Park Capital Improvements Refunding	16,940
<u>Lease Revenue Bonds</u>	
1994 – City/MTDB Authority Refunding - Police CIP and Bayside Extension	\$ 21,775
1996 – San Diego Jack Murphy Stadium	62,870
1998 – Convention Center Expansion Financing Authority	192,480
2002 – Ballpark Project <sup>(4)</sup>	169,685
2002 – Fire and Life Safety Facilities Project	24,665
2003 – City/MTDB Authority for Old Town Trolley Extension Refunding	<u>15,010</u>
Total Principal of General Fund Lease Commitments	<u>\$533,840</u>

(1) Unaudited

(2) Secured by the two-thirds portion of the City's Environmental Growth Fund. In the event that moneys pledged by the City are not sufficient to make debt service payments, the City is required to levy, on the next tax roll, a property tax on behalf of the District to cover the amount of the shortfall

(3) On April 21, 2005, the 1994 G.O. Bonds were partially redeemed (\$24,360,000 in outstanding principal and \$430,894 in accrued interest) from proceeds of the sale of the City's Vehicle License Fee Receivables and available monies in the Environmental Growth Fund.

(4) On March 12, 2007, the Public Facilities Financing Authority of the City of San Diego issued \$156,560,000 of Lease Revenue Refunding Bonds to refund the existing Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002

### 13C. General Obligation and General Fund Lease Obligations

**CITY OF SAN DIEGO**  
**GENERAL OBLIGATION AND GENERAL FUND LEASE OBLIGATIONS <sup>(1)</sup>**  
*As of June 30, 2005*  
*(in thousands)*

Fiscal Year Ending June 30	General Obligation Bonds	General Fund Lease Obligations	Principal and <u>Total Interest Payable</u>
2006	\$ 2,767	\$ 49,222	\$ 51,989
2007	2,768	46,713	49,481
2008	2,766	46,715	49,481
2009	2,767	46,679	49,446
2010	2,328	45,302	47,630
Thereafter	4,633	<u>751,413</u>	<u>756,046</u>
Subtotal	\$ 18,029	\$ 986,044	\$1,004,073
Less Interest Portion	<u>(3,499)</u>	<u>(469,569)</u>	<u>(473,068)</u>
Total Principal Portion	<u>\$ 14,530</u>	<u>\$ 516,475</u>	<u>\$ 531,005</u>

The following provides a summary list of outstanding general obligation bonds and General Fund lease commitments as of June 30, 2005.

<u>General Obligation Bonds</u>	Principal Outstanding (000's)
1991 – Public Safety Communications	\$ 13,010
1994 – Open Space Park Facility District Refunding <sup>(2)(3)</sup>	<u>1,520</u>
Total Principal of General Obligation Bonds	<u>\$ 14,530</u>
 <u>General Fund Lease Commitments</u>	
<u>Certificates of Participation</u>	
1996A – Balboa Park/Mission Bay Park Capital Improvements	\$ 18,070
1996B – Balboa Park/Mission Bay Park Capital Improvements Refunding	9,520
2003 – Balboa Park/Mission Bay Park Capital Improvements Refunding	15,710
 <u>Lease Revenue Bonds</u>	
1994 – City/MTDB Authority Refunding - Police CIP and Bayside Extension	\$ 14,890
1996 – San Diego Jack Murphy Stadium	61,720
1998 – Convention Center Expansion Financing Authority	187,980
2002 – Ballpark Project <sup>(4)</sup>	169,685
2002 – Fire and Life Safety Facilities Project	24,235
2003 – City/MTDB Authority for Old Town Trolley Extension Refunding	<u>14,665</u>
Total Principal of General Fund Lease Commitments	<u>\$516,475</u>

(1) Unaudited

(2) Secured by the two-thirds portion of the City's Environmental Growth Fund. In the event that moneys pledged by the City are not sufficient to make debt service payments, the City is required to levy, on the next tax roll, a property tax on behalf of the District to cover the amount of the shortfall

(3) On April 21, 2005, the 1994 G.O. Bonds were partially redeemed (\$24,360,000 in outstanding principal and \$430,894 in accrued interest) from proceeds of the sale of the City's Vehicle License Fee Receivables and available monies in the Environmental Growth Fund

(4) On March 12, 2007, the Public Facilities Financing Authority of the City of San Diego issued \$156,560,000 of Lease Revenue Refunding Bonds to refund the existing Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002

### 13D. General Obligation and General Fund Lease Obligations

**CITY OF SAN DIEGO**  
**GENERAL OBLIGATION AND GENERAL FUND LEASE OBLIGATIONS <sup>(1)</sup>**  
*As of June 30, 2006*  
*(in thousands)*

Fiscal Year Ending June 30	General Obligation Bonds	General Fund Lease Obligations	Principal and <u>Total Interest Payable</u>
2007	\$ 2,768	\$ 46,713	\$ 49,481
2008	2,765	46,715	49,481
2009	2,767	46,679	49,446
2010	2,328	45,302	47,630
2011	2,319	42,462	44,781
Thereafter	<u>2,314</u>	<u>708,951</u>	<u>711,265</u>
Subtotal	\$ 15,262	\$ 936,823	\$ 952,085
Less Interest Portion	<u>(2,572)</u>	<u>(438,783)</u>	<u>(441,355)</u>
Total Principal Portion	<u>\$ 12,690</u>	<u>\$ 498,040</u>	<u>\$ 510,730</u>

The following provides a summary list of outstanding general obligation bonds and General Fund lease commitments as of June 30, 2004.

<u>General Obligation Bonds</u>	Principal Outstanding (000's)
1991 – Public Safety Communications	\$ 11,520
1994 – Open Space Park Facility District Refunding <sup>(2), (3)</sup>	<u>1,170</u>
Total Principal of General Obligation Bonds	<u>\$ 12,690</u>
<u>General Fund Lease Commitments</u>	
<u>Certificates of Participation</u>	
1996A – Balboa Park/Mission Bay Park Capital Improvements	\$ 15,440
1996B – Balboa Park/Mission Bay Park Capital Improvements Refunding	9,180
2003 – Balboa Park/Mission Bay Park Capital Improvements Refunding	14,000
<u>Lease Revenue Bonds</u>	
1994 – City/MTDB Authority Refunding - Police CIP and Bayside Extension	\$ 10,240
1996 – San Diego Jack Murphy Stadium	60,490
1998 – Convention Center Expansion Financing Authority	183,300
2002 – Ballpark Project <sup>(4)</sup>	167,560
2002 – Fire and Life Safety Facilities Project	23,780
2003 – City/MTDB Authority for Old Town Trolley Extension Refunding	<u>14,050</u>
Total Principal of General Fund Lease Commitments	<u>\$498,040</u>

(1) Unaudited

(2) Secured by the two-thirds portion of the City's Environmental Growth Fund. In the event that moneys pledged by the City are not sufficient to make debt service payments, the City is required to levy, on the next tax roll, a property tax on behalf of the District to cover the amount of the shortfall

(3) On April 21, 2005, the 1994 G.O. Bonds were partially redeemed (\$24,360,000 in outstanding principal and \$430,894 in accrued interest) from proceeds of the sale of the City's Vehicle License Fee Receivables and available monies in the Environmental Growth Fund

(4) On March 12, 2007, the Public Facilities Financing Authority of the City of San Diego issued \$156,560,000 of Lease Revenue Refunding Bonds to refund the existing Public Facilities Financing Authority Ballpark Lease Revenue Bonds, Series 2002

## 14. Short-Term Borrowings

**CITY OF SAN DIEGO**  
**SHORT-TERM BORROWINGS**  
*For Fiscal Year Ended June 30, 1999 through 2008*

Fiscal Year Ended <u>June 30</u>	Principal <u>Amount</u> <sup>(1)</sup>
1999	\$ 88,500,000
2000	\$ 99,500,000
2001	\$ 77,000,000
2002	\$ 73,000,000
2003	\$ 93,200,000
2004	\$ 110,900,000
2005	\$ 114,000,000 <sup>(2)</sup>
2006	\$ 145,000,000 <sup>(2)</sup>
2007	\$ 142,000,000 <sup>(2)</sup>
2008	\$116,000,000 <sup>(2)</sup>

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(1) Par amounts issued.

(2) Borrowed through a private placement

Source: Debt Management Department

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**15A. Future Minimum Rental Payments**

**CITY OF SAN DIEGO  
FUTURE MINIMUM RENTAL PAYMENTS  
GENERAL FUND OPERATING LEASE COMMITMENTS  
(in thousands)  
As of June 30, 2003**

<u>Fiscal Year Ending June 30</u>	<u>Rent Payable</u>
2004	\$5,707
2005	5,491
2006	5,246
2007	5,152
2008	4,735
2009-2013	24,341
2014-2018	2,801
2019-2023	17
2024-2028	3
Total	<u>\$53,493</u>

Source: Comptroller's Office, Real Estate Assets Department

**15B. Future Minimum Rental Payments**

**CITY OF SAN DIEGO  
FUTURE MINIMUM RENTAL PAYMENTS  
GENERAL FUND OPERATING LEASE COMMITMENTS  
(in thousands)  
As of June 30, 2004**

<u>Fiscal Year Ending June 30</u>	<u>Rent Payable</u>
2005	\$5,577
2006	5,467
2007	5,384
2008	5,149
2009	5,244
2010-2014	22,969
2015-2019	126
2020-2024	17
Total	<u>\$49,933</u>

Source: Comptroller's Office, Real Estate Assets Department

# 16A Statement of Direct and Overlapping Bonded Debt

## **CITY OF SAN DIEGO** **STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)** **June 30, 2003** **( In Thousands )**

Jurisdiction	Debt Outstanding June 30, 2003	Percentage Applicable to City of San Diego	Amount Applicable to City of San Diego
City of San Diego .....	\$ 15,690 *	100.0%	\$ 15,690
City of San Diego Certificates of Participation .....	50,455 *	100.0%	50,455
City of San Diego 1915 Act Bonds .....	38,240	100.0%	38,240
City of San Diego Mello-Roos Bonds .....	112,995	100.0%	112,995
City of San Diego Redevelopment Agency Tax Allocation Bonds .....	279,136 *	100.0%	279,136
City of San Diego Redevelopment Agency Parking Revenue Bonds .....	32,140 *	100.0%	32,140
City of San Diego Metropolitan Transit Development Board (MTDB) .....	43,575 *	100.0%	43,575
Convention Center Expansion Authority .....	196,810 *	100.0%	196,810
Metropolitan Water District .....	444,295	8.9%	39,542
North City West School Community Facilities District .....	92,328	100.0%	92,328
Poway Unified School Community Facilities District #1 .....	115,334	100.0%	115,334
Poway Unified School Community Improvement District No. 2002-1 .....	75,000	75.1%	56,325
Public Facilities Financing Authority .....	258,700 *	100.0%	258,700
San Diego Community College District .....	96,585	99.9%	96,488
San Diego Community College District General Fund Obligations .....	10,260	99.9%	10,250
San Diego County General Fund Obligations .....	475,849	47.5%	226,028
San Diego County Pension Obligations .....	824,395	47.5%	391,588
San Diego County Water Authority .....	1,645	49.3%	811
San Diego Open Space Park Facilities District # 1 .....	36,475	100.0%	36,475
San Diego Unified School District District .....	832,830	99.9%	831,997
Other School and Community College Districts .....	43,970	various	43,970
Other Special Districts .....	27,905	various	27,905
Other High School and School Districts .....	35,202	various	35,202
Otay Municipal Water District Certificates of Participation .....	26,030	7.8%	2,030
<b>TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT .....</b>			<b>\$ 3,034,014 **</b>
Less:			
100% Self-Supporting			
Otay Mesa Water District .....			\$ 2,030
Grossmont Union High School District COP's .....			66
San Diego Open Space Park Facilities District #1 .....			36,475
<b>TOTAL BONDED DEBT SUPPORTED BY OTHER THAN PROPERTY TAX .....</b>			<b>38,571</b>
<b>NET DIRECT AND OVERLAPPING BONDED DEBT .....</b>			<b>\$ 2,995,443</b>

### 2002-03 Assessed Valuation (100% of Full Value):

\$108,705,868 (including the redevelopment tax allocation increment of \$8,401,378)

### Ratios to Assessed Valuation

* City of San Diego Gross Direct Debt (\$876,506) .....	0.81%
City of San Diego Net Direct Debt (excludes Redevelopment Agency) (\$565,230) .....	0.52%
City of San Diego and Open Space District Gross Direct Debt (\$912,981) .....	0.84%
City of San Diego and Open Space District Net Direct Debt (\$601,705) .....	0.55%
<b>TOTAL GROSS DEBT .....</b>	<b>2.79%</b>
<b>TOTAL NET DEBT .....</b>	<b>2.76%</b>

\*\* Excludes revenue and tax anticipation notes.

Sources: Fiscal Year 2003 Comprehensive Annual Financial Report, Comptroller's Office

## Statement of Direct and Overlapping Bonded Debt

**CITY OF SAN DIEGO**  
**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT**  
**June 30, 2004**  
**( In Thousands )**

Jurisdiction	Debt Outstanding June 30, 2004	Percentage Applicable to City of San Diego	Amount Applicable to City of San Diego
City of San Diego .....	\$ 14,390 *	100.0%	\$ 14,390
City of San Diego Certificates of Participation .....	47,355 *	100.0%	47,355
City of San Diego 1915 Act Bonds .....	14,755	100.0%	14,755
City of San Diego Mello-Roos Bonds .....	125,885	100.0%	125,885
City of San Diego Redevelopment Agency Tax Allocation Bonds .....	308,576 *	100.0%	308,576
City of San Diego Redevelopment Agency Parking Revenue Bonds .....	31,880 *	100.0%	31,880
City of San Diego Metropolitan Transit Development Board (MTDB) .....	36,785 *	100.0%	36,785
Convention Center Expansion Authority .....	192,480 *	100.0%	192,480
Metropolitan Water District .....	447,475	8.9%	39,825
North City West School Community Facilities District .....	90,253	100.0%	90,253
Poway Unified School Community Facilities District #1 .....	135,670	100.0%	135,670
Poway Unified School Community Improvement District No. 2002-1 .....	75,000	68.5%	51,375
Public Facilities Financing Authority .....	257,220 *	100.0%	257,220
San Diego Community College District .....	93,685	99.9%	93,591
San Diego Community College District General Fund Obligations .....	-	0.0%	-
San Diego County General Fund Obligations .....	431,715	47.2%	203,769
San Diego County Pension Obligations .....	1,268,878	47.2%	598,910
San Diego County Water Authority .....	-	0.0%	-
San Diego Open Space Park Facilities District # 1 .....	31,385	100.0%	31,385
San Diego Unified School District District .....	1,114,968	99.9%	1,113,853
Other School and Community College Districts .....	43,141	various	43,141
Other Special Districts .....	57,164	various	57,164
Other High School and School Districts .....	46,504	various	46,504
Otay Municipal Water District Certificates of Participation .....	25,380	7.1%	1,802
<b>TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT .....</b>			<b>\$3,536,568 **</b>
Less:			
100% Self-Supporting			
Otay Mesa Water District .....			\$ 1,796
Grossmont Union High School District COP's .....			-
San Diego Open Space Park Facilities District #1 .....			31,385
<b>TOTAL BONDED DEBT SUPPORTED BY OTHER THAN PROPERTY TAX .....</b>			<b>33,181</b>
<b>NET DIRECT AND OVERLAPPING BONDED DEBT .....</b>			<b>\$3,503,387</b>

2002-03 Assessed Valuation (100% of Full Value):

\$118,649,151 (including the redevelopment tax allocation increment of \$9,821,643)

Ratios to Assessed Valuation

* City of San Diego Gross Direct Debt (\$888,686) .....	0.75%
City of San Diego Net Direct Debt (excludes Redevelopment Agency) (\$548,230) .....	0.46%
City of San Diego and Open Space District Gross Direct Debt (\$920,071) .....	0.78%
City of San Diego and Open Space District Net Direct Debt (\$579,615) .....	0.49%
<b>TOTAL GROSS DEBT .....</b>	<b>2.98%</b>
<b>TOTAL NET DEBT .....</b>	<b>2.95%</b>

\*\* Excludes revenue and tax anticipation notes.

Sources: Fiscal Year 2004 Comprehensive Annual Financial Report, Comptroller's Office

**17. CONVENTION CENTER EXPANSION FINANCING AUTHORITY**  
**(STATE: CALIFORNIA)Lease Revenue Bonds, Series 1998A (City of San Diego,**  
**California, as Lessee)**

**SAN DIEGO CONVENTION CENTER**

**Bookings<sup>(1)</sup>**

During each of the five fiscal years ended June 30, 2006, the Convention Center had the following events, which were attended by the following estimated number of attendees:

	<u>Fiscal Year Ended June 30</u>				
<u>Type of Event</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Conventions with Trade Shows	44	43	46	35	53
Estimated Attendance	275,899	334,280	389,091	390,220	412,369
Conventions Only	4	2	3	3	2
Estimated Attendance	16,700	7,500	17,200	12,543	8,827
Trade Shows only	4	1	3	4	5
Estimated Attendance	23,725	18,615	39,413	38,388	41,566
Incentive Meetings	13	12	16	13	11
Estimated Attendance	36,471	44,218	50,291	52,999	49,119
All Others <sup>(2)</sup>	185	173	165	169	210
Estimated Attendance	372,489	406,171	399,363	365,908	438,829
Total Events	250	231	233	224	281
Total Estimated Attendance	725,284	810,784	895,358	860,058	950,710

- (1) The San Diego Convention Center operates in a competitive market; other municipalities could build competing facilities over time. The City is aware of discussions that have occurred between the City of Chula Vista and a developer to construct a facility to host conventions in the City of Chula Vista. The construction of a convention center by the City of Chula Vista may have a negative impact on future bookings at the San Diego Convention Center.
- (2) Consumer shows, meetings and seminars, community events, local trade shows, and food and beverage events.

Source: San Diego Convention Center Corporation, unaudited

During the five fiscal years ending on June 30, 2011, the Convention Center has the following number of definite bookings of conventions and trade shows, conventions only, trade shows only, and incentive meetings, of which 64% of those booked in such five fiscal years were dependent upon the completion of the Expansion Project.

**Definite Bookings of Conventions and Trade Shows, Conventions Only, Trade Shows Only, and Incentive Meetings**  
**Fiscal Year Ending June 30**

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
67	63	60	50	41

Source: San Diego Convention Center Corporation, unaudited

## BUDGETING AND FUNDING

### Convention Center Operating Deficit and Capital Expenditures for the Five Fiscal Years Ended June 30 (unaudited and in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total Revenues	\$19,353	\$20,949	\$24,426	\$24,309	\$29,134 <sup>(3)</sup>
Operating Expenses <sup>(1)</sup>	(20,801)	(21,713)	(23,673)	(24,903)	(26,534)
Depreciation Expense <sup>(2)</sup>	--	--	--	--	(2,272)
Capital Expenditures <sup>(1) (2)</sup>	(3,193) <sup>(4)</sup>	(2,545) <sup>(5)</sup>	(2,858) <sup>(5)</sup>	(2,334) <sup>(5)</sup>	--
Total Expenses and Capital/Depr Expenditures	<u>(\$23,994)</u>	<u>(\$24,258)</u>	<u>(\$26,531)</u>	<u>(\$27,237)</u>	<u>(\$28,807)</u>
Net Excess/(Deficit)	(\$4,641)	(\$3,309)	(\$2,105)	(\$2,928)	\$327

(1) Operating Expenses and Capital Expenditures are reported in a manner that reflects the method by which these expenditure categories are reflected in the Corporation's Audited Financial Statements, which is different from the method used for the Official Statement and previously published Continuing Disclosure Annual Reports ("Reports"). Specifically, in addition to leasehold improvement capital expenditures (e.g., improvements that are attached to the building, such as the roof and walls), non-leasehold capital expenditures (e.g., equipment, computers, and furniture) are included in Capital Expenditures instead of in Operating Expenses as was the case for the Official Statement and the Reports, previous to the Annual Report ended June 30, 2002.

(2) Accounting methodology for the San Diego Convention Center Corporation was adjusted for the fiscal year ended June 30, 2006 with conversion from modified accrual to full accrual accounting. As a result, capital expenditures are not recognized while depreciation expense (from capital items) is recognized.

(3) As a result of the change in accounting methodology described in footnote (2) and due to changes in funding from the City as defined in the Third Amended and Restated Management Agreement Between the City of San Diego and the San Diego Convention Center Corporation (effective for fiscal year 2006), funding received from the City is included in Total Revenues. During the fiscal year ended June 30, 2006, funding from the City included in Total Revenues amounted to \$4,339,198.

(4) Includes capital expenditures of approximately \$1.4 million relating to equipment expenditures and leasehold improvements in the expanded Convention Center, and a \$1,000,000 payment to the District relating to the Sails Pavilion Enclosure Project loan.

(5) Includes a Capital Expenditure item for a \$1,000,000 payment to the District relating to the Sails Pavilion Enclosure Project loan.

Source: San Diego Convention Center Corporation, unaudited

The San Diego Convention Center Corporation (the "Corporation", the operating entity of the San Diego Convention Center), has been offering discounts from its posted rental rates to maintain or enhance bookings of its primary business (i.e., Conventions with Trade Shows, Conventions Only, Trade Shows Only, and Incentive Meetings), in order to stay competitive with other major convention facilities which, according to the staff of the Corporation, have also been obligated to offer discounts. For example, for the fiscal year ended June 30, 2006, rental revenue received reflected an approximate \$3.3 million discount from the posted rates, and, for the fiscal year ending June 30, 2007, it is expected that such discounts will continue.

At the end of Fiscal Year 2005 a restated Management Agreement was executed between the City and the Corporation that specified that funding from the City be used solely for marketing, promotion and/or capital projects for the Convention Center in an amount sufficient to ensure that the Corporation can perform its obligations under the Management Agreement.

## **Material Agreements with the District and Regulatory Orders**

### **Current Status**

Dewatering Memorandum of Understanding. The Official Statement advised that the City and the District had entered into a Memorandum of Understanding dated September 17, 1998 (the “Dewatering MOU”) regarding the operation of the system which pumps groundwater from under the Existing Center (the “dewatering system”). (There is no need for a permanent dewatering system for the Expansion Project since there is no below-grade construction other than the sinking of pilings, whereas there is subterranean parking under the Existing Center.) Under the Dewatering MOU, the City and District agreed to share the cost (50% by each) of an outfall that would discharge the groundwater from the underground parking facility at the Existing Center into the middle of the San Diego Bay to achieve compliance with discharge requirements. Under a separate 1998 Management Agreement between the City and the District, the City agreed to accept the National Pollutant Discharge Elimination System (“NPDES”) permit for the discharge upon a showing that it was in compliance with discharge requirements.

Monthly groundwater discharge sample results have not met the standards dictated by Cease and Desist Order R9-2003-0086 since the end of calendar year 2005. This triggered the implementation of work to cease effluent violations within twenty seven months (end of March 2008).

To achieve compliance with groundwater discharge requirements the City of San Diego retained an engineering consultant in 2006 to review all previous work and develop the most cost-effective engineering solution to achieve compliance. The consultant’s final report was received in August 2007. A determination will be made as to which report recommendations will be implemented. Costs for implementing the report’s recommended potential solutions could range from a one-time expense of between \$5.6 million to \$8.7 million, and annual operation and maintenance expenses of \$528,000 to \$790,000 per year. Funding to implement any of the potential solutions is the responsibility of the City General Fund.

The City of San Diego plans to take necessary actions to achieve groundwater discharge NPDES compliance by the end of March 2008. Upon completion by the City of an action plan to address the groundwater discharge problem and the identification of required funding, the City plans to communicate with the Regional Water Quality Control Board (“RWQCB”) on the final details of the plan. If compliance is not achieved by March 2008, the Board could enact enforcement actions against the City of San Diego.

### **Background**

The City accepted the NPDES permit in November of 1999 and, along with the District, completed the outfall in March of 2001. Thereupon the City applied for a site specific NPDES discharge permit that would recognize the mixing effect of the outfall and would thereby allow for modified discharge limits, especially for metals in the groundwater. The RWQCB considered the

request for the site specific permit with the modified limits on March 12, 2003. Due to historical contamination in San Diego Bay, especially from copper from ship activities, the Board did not allow any modified limits and issued an NPDES permit for the groundwater discharge that sets specific limits for metals and toxicity. Given the variables of groundwater, the City expected to meet all discharge limits except for chronic toxicity and copper. Consequently, the City concurrently was issued a Cease & Desist Order from the Board that sets a final compliance date of December 31, 2003 with the following interim milestones: (1) technical report detailing the cost of treatment of the discharge to the sanitary sewer (due by April 9, 2003); (2) progress reports on engineering alternatives to comply with the discharge limits (due by May 14, 2003 and monthly, thereafter); (3) a technical report detailing the engineering alternatives for compliance; and (4) a remedial action workplan to accomplish compliance (due by September 15, 2003).

The City accepted the Cease & Desist Order without appeal and embarked on compliance with the four directives. In reviewing engineering alternatives, it was discovered that the established limits could be complied with by changing the location and method of monitoring the effluent from comparable samples at each pump (pumps 1, 2, 3, and 4) to one composite sample at the discharge point into San Diego Bay. This new methodology was consistent with and acceptable under the site specific elements of the NPDES permit. With the composite samples in compliance with the waste discharge requirements but recognizing that groundwater is variable, the City sought a modification of the Cease & Desist Order to: (1) eliminate the December 31, 2003 deadline; and (2) stay the remedial action workplan until such time as the samples under the new method of monitoring detected any exceedences.

The City's request for the above modifications was heard and approved by the Board on December 10, 2003. In approving the modifications, the Board issued Addendum No. 1 to the previous Cease & Desist Order, R9-2003-0086, and directed in pertinent part that: (1) if a monthly composite sample shows permit exceedences, the City must increase by six the samplings over the following 14 days and implement the workplan only if three of the six samplings confirm copper or toxicity violations; (2) the City must begin monthly status work reports to the Board thirty days after the first detection of exceedences; (3) the City must cease effluent violations no later than twenty-seven months after initiation of the remedial action plan if exceedences of the NPDES permit are confirmed.

Through calendar years 2003, 2004 and much of 2005 monthly effluent samples showed continued compliance with the NPDES permit limitations and therefore the remedial action workplan provisions were not required to be implemented. Consequently, during that time additional capital investment from the City's General Fund was not under consideration; such investment is not required unless and until the composite samples show noncompliance with the NPDES established limits.

Since the end of calendar year 2005, most monthly groundwater discharge sample results have not met the standards dictated by Cease and Desist Order R9-2003-0086.

**18. PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO  
(STATE: CALIFORNIA)**

**Taxable Lease Revenue Bonds, Series 1996A (San Diego Jack Murphy Stadium)**

As described in the Official Statement published in 1996, the City had entered into agreements with various major users of the Stadium facilities. Among these users was the Chargers Football Company, LLC (“the Chargers”). At that time, the Chargers utilized the Stadium pursuant to the 1995 Partial Use and Occupancy Agreement for San Diego Jack Murphy Stadium (subsequently re-named Qualcomm Stadium), as amended by the First Amendment to 1995 Partial Use and Occupancy Agreement for San Diego Jack Murphy Stadium dated as of December 10, 1996. Since that time, the agreement has been modified from time to time. Pursuant to the Ninth Supplement to the 1995 Agreement for the Partial Use and Occupancy of Qualcomm Stadium (“Ninth Supplement”), between the Chargers and the City, dated May 16, 2006, the Chargers may not relocate prior to the end of the 2008 Regular Football Season. The Ninth Supplement does allow the Chargers the right to terminate the agreement any time after the 2008 National Football League (“NFL”) season by tendering a fee which is based on a sliding scale starting at \$56,275,000 after February 1, 2009 and falling to \$3,490,000 after February 1, 2020. Based on published media reports, the City understands that discussions are occurring between the Chargers and other municipalities regarding relocation of the team.

The Official Statement also described Padres L.P. as a major user of the Stadium. Since the time the Official Statement was written, a new ballpark has been constructed in the East Village neighborhood of downtown San Diego, and Padres L.P. is no longer a major tenant of the Stadium.